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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

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FORM 10-Q

ANNUAL REPORT PURSUANT TO SECTION 13 or 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

JQ2-226

(Mark One)

__X__ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the period ended March 31, 1992

OR

_____ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission file number 0-19647

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GENCARE HEALTH SYSTEMS, INC.
(Exact name of registrant as specified in its charter)

Missouri	43-1361841
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

969 Executive Parkway
St. Louis, Missouri 63141
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (314) 434-6114

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes__X__ No__

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date.

10,700,000 shares of common stock, par value $.02 per share, as of April 30, 1992.

GenCare Health Systems, Inc.

Form 10-Q

QUARTER ENDED MARCH 31, 1992

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GenCare Health Systems, Inc. and Subsidiaries
Consolidated Balance Sheets
March 31, 1992 and December 31, 1991

ASSETS	(unaudited) Mar. 31, 1992	Dec.31, 1991
Current assets:		
Cash and cash equivalents	$7,047,799	7,111,913
Short-term investments, at cost which approximates market	26,717,527	20,765,106
Premiums receivable, less allowance for billing adjustments of $39,500 in 1992 and 1991	2,151,221	3,268,925
Other current assets	2,834,940	1,284,764
Total current assets	38,751,487	32,430,708
Restricted assets	550,000	450,000
Excess of cost over fair value of net assets acquired	19,957,632	20,092,632
Total assets	$59,259,119	52,973,340
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable-capitation	$45,136	29,204
Claims payable	14,917,656	13,476,816
Medical groups risk-sharing pools	2,467,607	1,289,140
Unearned premiums	1,075,834	84,127
Income taxes payable-current	1,667,563	513,185
Other current liabilities	-	1,309,279
Total current liabilities	20,173,796	16,701,751
Commitments and contingent liabilities		
Shareholders' equity :		
Common Stock, $0.02 par value. Authorized 15,000,000 shares issued and outstanding 10,700,000 shares	214,000	214,000
Additional paid-in-capital	28,809,134	28,809,134
Retained earnings	10,062,189	7,248,455
Total shareholders' equity	39,085,323	36,271,589
Total liabilities and shareholders' equity	$59,259,119	52,973,340

See accompanying notes to consolidated financial statements.

GenCare Health Systems, Inc. and Subsidiaries
Consolidated Income Statements
Three Months Ended March 31, 1992 and 1991
(Unaudited)

	1992	1991
Revenue		
Premiums	$36,424,931	31,172,170
Preferred provider organization fees	772,821	647,389
Interest	421,314	458,441
Total revenues	37,619,066	32,278,000
Benefit claims and capitation payments	28,864,508	24,979,224
Administration:		
Management fees	3,846,324	3,731,000
Other	129,577	224
Amortization of excess of cost over fair of net assets acquired	135,000	135,000
Total expenses	32,975,409	28,845,448
Earnings before income tax expense	4,643,657	3,432,552
Income tax expense	1,829,923	1,346,492
Net earnings	$2,813,734	2,086,060
Net earnings per share	$0.26	$0.21
Weighted average number of common shares outstanding	10,718,033	10,000,000

See accompanying notes to consolidated financial statements.

GenCare Health Systems, Inc. and Subsidiaries
Consolidated Statements of Cash Flows
Three Months Ended March 31, 1992, and 1991
(Unaudited)

	1992	1991
Cash flows from operating activities:		
Net Earnings	$2,813,734	$2,086,060
Adjustments to reconcile earnings to net cash provided by (used) in operating activities :		
Amortization of excess of cost over fair value of net assets acquired	135,000	135,000
Change in operating assets and liabilities:		
Premiums receivable, net	1,117,704	(773,685)
Prepaid capitation		1,222,682
Other current assets	(1,550,176)	82,536
Restricted assets	(100,000)	—
Accounts Payable – capitation	15,932	34,633
Claims payable	1,440,840	1,529,533
Medical groups risk – sharing pools	1,178,467	651,359
Unearned premiums	991,707	43,828
Income taxes payable – current	1,154,378	374,002
Other current liabilities	(1,309,279)	1,368,590
Total adjustments	3,074,573	4,668,478
Net cash provided by operating activities	5,888,307	6,754,538
Net cash used in investing activities	(5,952,421)	(257,736)
Net increase (decrease) in cash and cash equivalents	(64,114)	6,496,802
Cash and cash equivalents at beginning of period	7,111,913	3,160,156
Cash and cash equivalents at end of period	$7,047,799	$9,656,958

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

1. Basis of presentation

The accompanying condensed consolidated financial statements include the accounts of GenCare Health Systems, Inc., and its subsidiaries, Sanus Dental Plan, Inc. and Sanus/Passport Preferred Services, Inc., presented on a consolidated basis. All significant intercompany accounts and transactions have been eliminated. The information contained in these condensed financial statements is unaudited but does contain all adjustments, consisting of normal recurring adjustments, which in the opinion of management are necessary for a fair presentation of the results of the interim periods reflected. Certain information and footnote disclosure normally included in consolidated financial statements prepared in accordance with generally accepted accounting principles have been omitted pursuant to applicable rules and regulations of the Securities and Exchange Commission. The financial statements should be read in conjunction with the Company's consolidated financial statements and related notes in the 1991 annual report.

2. Common stock

Earnings per share was computed by dividing net income by the weighted average number of common shares outstanding during the period, taking into consideration common stock equivalents which were dilutive. Common stock equivalents represent options issued and outstanding for the periods presented.

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Item 2: Management's Discussion and Analysis of Financial Condition and Results of Operations
Three Months ended March 31, 1992 and 1991

Overview

GenCare Health Systems, Inc. (GenCare), formerly Sanus Health Plan, Inc., and subsidiaries (the Company) is a prepaid health maintenance organization incorporated in the State of Missouri. Medical care is provided to employee groups which subscribe to various health maintenance services provided by the Company.

Sanus Dental Plan, Inc., (Dental) and Sanus/Passport Preferred Services, Inc., (Passport) are wholly owned subsidiaries of GenCare. Dental is comprised of groups with dental coverage only. Passport operates as a preferred provider organization (PPO).

The Company's revenues consist primarily of premiums from Sanus HMO, Sanus Dental HMO, and Sanus PPO fee revenue. Benefit claims and capitation payments consist primarily of benefit payments to physicians, hospitals, and other health care providers.

Results of Operations

Total revenues increased 16.5% to $37.6 million in the first 3 months of 1992 from $32.3 million in the first 3 months of 1991. Premium revenue increased 16.9% to $36.4 million from $31.2 million. Virtually all of this increase was attributable to Sanus HMO. Dental revenues, which are included in premium revenues, increased 39.9% to $.6 million for the first 3 months of 1992 compared to $.4 million for the first 3 months of 1991. Dental revenues include revenue received by Sanus HMO for prepaid dental care and all revenue received by Sanus Dental HMO.

The growth in premium revenues during the first 3 months of 1992 was the result of an approximate 11.9% average increase in premiums and an 8.6% increase in membership, to 118,340 from 109,015, resulting in an 8.5% increase in member months. Higher membership resulted from the addition of new employer groups, including one major employer in the service area, and increased membership from existing accounts led by a substantial increase from several of St. Louis' major employers.

Preferred provider organization fee revenue increased 19.4% to $.8 million in the first 3 months of 1992 from $.6 million in the first 3 months of 1991. This increase was due to sales of new groups, change in method of fee calculation of a major employer, increases in membership and fee rate increases of approximately 5%.

Interest income remained at approximately $.4 million in the first 3 months of 1992 compared to approximately $.4 million in the first 3 months of 1991 due to an increase in the amount of funds available for investment offset by declining interest rates.

Benefit claim and capitation payments increased 15.5% to $28.9 million in the first 3 months of 1992 from $25.0 million in the first 3 months of 1991. Average commercial health care costs per member per month increased 13.1% to $81.30 from $71.89. The amount of this increase was limited by the Company's cost containment measures. Effective cost

containment procedures are reflected by the 6.2% decline in the annualized hospital days per thousand to 287 in the first 3 months of 1992 from 306 in the first 3 months of 1991. Included in the per member per month cost is a substantial increase in doctors' pool settlements.

The medical loss ratio decreased to 79.2% in the first 3 months of 1992 from 80.1% in the first 3 months of 1991. The Company believes that the decreased medical loss ratio was due to lower utilization of hospital services, and changes in contracting to a capitation basis for radiology services, partially offset by an increased accrual for pool settlements.

The management fee paid to Sanus of Missouri, Inc. (SOMI), the company providing outside management services to the Company, increased 3% to $3.8 million in the first 3 months of 1992 from $3.7 million in the first 3 months of 1991. The change in SOMI's management fee to 10.2% of revenue from 11.6% of revenue was caused by changes in SOMI's profit sharing agreement to 15% of pre-tax revenue from 25% of pre-tax revenue, increased membership revenue, and adjustments in SOMI's per member per month fee.

Net income increased 35% to $2.8 million in the first 3 months of 1992 from $2.1 million in the first 3 months of 1991 as a result of the foregoing factors.

New Accounting Standards

In February 1992, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" (SFAS 109) which supersedes SFAS No. 96. SFAS 109 specifies an asset and liability approach for financial accounting and reporting for income taxes. The FASB will require implementation of SFAS 109 in 1993. The Company has not formally adopted the provisions of SFAS 109. However, the implementation of SFAS 109 is not expected to have a significant impact on the Company's financial position or results of operations.

Statement of Financial Accounting Standard No. 106, "Accounting for Other Post-Employment Benefits," which is required to be implemented in 1993, will not affect the Company unless and until it has employees, as currently all personnel cost are absorbed by SOMI.

Effects of Inflation

Health care costs have been rising at a faster rate than costs for consumer goods as a whole. The Company believes its premium increases, cost control measures, and risk-sharing incentive arrangements with physicians have reduced, to a certain extent, the adverse effect of medical cost inflation on its operations. If the Company were not able to continue to adequately increase its premiums, medical cost inflation could have a material adverse impact on the Company's results of operations.

Liquidity and Capital Resources

During the first quarter of 1992 and throughout 1991, GenCare maintained cash and cash equivalents at levels adequate to support operations. The Company did not borrow from financial institutions or other sources during those periods. The level of cash, cash equivalents, and short-term investments totaled $33.8 million at March 31, 1992, and $27.9 million at December 31, 1991.

Cash generated from operations for the first three months of 1992 and 1991 were $5.9 million and $6.8 million, respectively.

Since all administrative services are provided under the management agreement with SCMI, the Company has no significant capital expenditures currently planned.

Under the regulations governing HMOs in Illinois, the Company is required to maintain a special contingent reserve of not less than $1,500,000, an amount which also satisfies the Missouri capital account requirements. Sarus Dental HMO maintains a minimum capital level of $150,000. The Company keeps a restricted cash reserve of at least $450,000 on deposit with third parties as part of such requirements.

Part II

Item 1. LEGAL PROCEEDINGS

GenCare and its subsidiaries are parties to numerous claims and lawsuits incidental to their businesses. Of these, a significant portion involves claims for coverage or for payment of medical services rendered to HMO members. Although the ultimate resolution of these actions is not currently determinable, the Company believes that any liability resulting from such claims and lawsuits in excess of insurance coverage, indemnification by responsible parties, and amounts already provided for, should not have a material adverse effect on the Company's consolidated financial position.

Item 2. CHANGES IN SECURITIES

Not applicable.

Item 3. DEFAULTS UPON SENIOR SECURITIES

None

Item 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matters were submitted to a vote of security holders during the first quarter of 1992.

Item 5. OTHER INFORMATION

Not applicable.

Item 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibit Index - None

(b) No reports on Form 8-K have been filed during the quarter.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

GenCare Health Systems, Inc.

Date: May 14, 1992

By: Michael R. Hogan
Michael R. Hogan, President

Date: May 14, 1992

By:
John W. Barber, Vice President
and Chief Accounting Officer